



# DEPARTMENT OF HIGHER EDUCATION & WORKFORCE DEVELOPMENT

## **COMPLIANCE UPDATE** **By Kim Slote, policy analyst**

### **NEW GUIDANCE FROM THE U.S. DEPARTMENT OF TREASURY AND IRS**

New tax guidance was issued by the U.S. Department of Treasury and the Internal Revenue Service, January 15, 2020: [Revenue Procedure 2020-11](#). This procedure provides a safe harbor for certain discharged student loans. Taxpayers will receive relief for federal student loans that are discharged under the closed school or borrower defense to repayment processes. Tax relief is also available for private education loans that are discharged based on a settlement of a legal cause of action against nonprofit or other for-profit schools and certain private lenders. These taxpayers with discharged student loans will not have to report the amount of the loan as gross income on their federal tax returns.

The Treasury and the IRS provided similar relief to borrowers who took out loans in order to attend schools owned by Corinthian Colleges, Inc. or American Career Institutes, Inc. Both agencies determined it appropriate to extend that tax relief to borrowers who took out federal student loans to finance attendance at other schools as well. In addition, creditors will not have to file information returns and payee statements for the discharge of any debt that falls within the scope of the guidance. Student loans discharged on or after Jan. 1, 2016 are eligible for this tax relief.

Additional information is provided in the revenue procedure under Section 4. **SAFE HARBOR FOR DISCHARGED STUDENT LOANS** on the following topics.

- Borrowers participating in Closed School discharge process
- Borrowers participating in Defense to Repayment discharge process
- Borrowers participating in legal settlement discharge actions
- Recapture of tax credits and deductions under the tax benefit rule
- Information reporting